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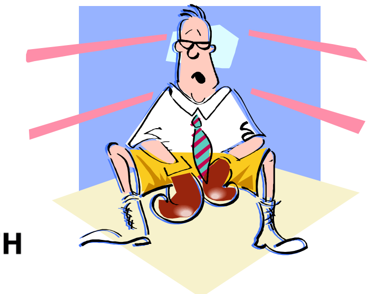
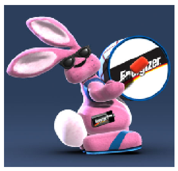
mortgagestraightTalk.com

Tel: 760-726-4600 Cel: 760-717-8584
Fax: 760-639-0785
Rod@MortgageStraightTalk.com

IN THIS MONTH'S ISSUE:





THE MONTH IN REVIEW

12/1-12/2 The Labor Dept. reported that the jobless rate fell from 9.0% to 8.6% on Friday.

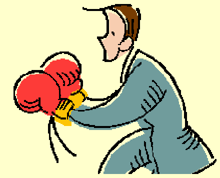
12/5-12/9 The number of **Americans filing for first-time unemployment benefits fell to 381,000, a nine-month low. The European Central Bank lowered its main interest rate to 1% from 1.25%** and announced a series of measures to ease credit conditions as the euro zone debt crisis continues to take a toll on Europe's economy. **Stocks sold off nearly 200 points, Thursday,** after a flurry of headlines put the likelihood of a debt crisis solution in question. **The Dow bounced back Friday and finished up 183-points on the day.**

12/12-12/16 U.S. stocks tumbled 162-points in a broad sell-off Monday amid growing investor doubt that Europe's debt crisis will actually be resolved. Retail sales increased 0.2 percent in November after gaining 0.6 percent in October, the Commerce Department reported. **The Dow trimmed another 131 points from its average on Wednesday** over continuing concern about Europe's debt crisis. **The number of people filing for initial unemployment benefits fell to 366,000 in the latest week—the lowest level since May 2008.** Thursday, **the ratings firm, Fitch, downgraded a cluster of the world's**

largest banks pointing to trading challenges facing international markets. The banks included Bank of America, Morgan Stanley, and Goldman Sachs; as well as Europe's Barclays, Societe Generale and BNP Paribas; Germany's Deutsche Bank; and Switzerland's Credit Suisse.

12/19-12/23 The government's key measure of inflation, the Consumer Price Index, showed prices hardly moved from October to November. U.S. stock markets tumbled, Monday, as shares of major U.S. banks fell. Investors remained worried that the financial sector is exposed to the debt crisis in Europe. **Home building spiked upward in November to the strongest level in almost two years,** as record-low mortgage rates and a surge in apartment and condo construction lifted activity. In response to the news and an easing in concerns about the European debt crisis **U.S. stocks jumped 337 points. The government reported that the number of Americans filing for first-time unemployment benefits dropped to its lowest level since April 2008.** There were 364,000 initial jobless claims last week, 4,000 fewer than a week earlier. **EXISTING homes sold at their fastest pace since January last month, according to the National Association of Realtors, and NEW home sales edged higher in November as well.**

THIS ISSUE'S TOPIC: MORTGAGE BANKERS VS. MORTGAGE BROKERS



12/26-12/30 Markets were closed Monday because of the Christmas holiday. **Consumer confidence rose to an eight month high in December** as households grew more upbeat about job prospects. The Conference Board's overall confidence index jumped 9.3 points to 64.5, following a 14.3-point rise in November. According to the latest S&P/Case-Shiller 20-city index, **home prices fell for the sixth straight month in October**, down 1.2% compared with September. **The S & P fell back into negative territory for 2011,**

Wednesday, as investors continued to fret over how Europe could solve its debt troubles in 2012. The Dow closed down 139 points. **About 381,000 people filed initial jobless claims in the week ended Dec. 24,** 15,000 more than from the prior week.

The Annual Forecast-- 2012, normally appears in January, but it has been delayed, temporarily. It will appear next month.

A while back a realtor informed me that his borrower was of the mindset that a borrower was better off going with a direct lender than a mortgage broker. I replied that while it may seem intuitive on some level to borrowers, nothing could be farther from the truth. I politely tried to educate the borrower via an email enumerating the reasons why mortgage brokers have a definitive edge over mortgage bankers (direct lenders). It occurred to me that perhaps this person's misconception was not singular and a worthwhile topic for the newsletter. What follows are arguments that I have had posed to me over the years along my rebuttals:

1. Banks are cheaper than brokers or why pay a broker's commission?

The answer's simple—THEY'RE NOT and YOU DON'T. The lender pays the broker's commission for placing the loan with them.

* In a decade of doing loans, I have found only one instance that was an exception to the foregoing—if you're a physician. Bank of America wanted a doctor's office practice business so badly that I couldn't compete because they were willing to do his loan essentially for free. Since his billings amounted to more than $750,000 per year, maybe they were smart to capture his business this way. In a similar vein, I have heard of very high net-worth individuals that receive preferential treatment from their personal bankers at Wells, B of A, Chase, etc. The fact that they have hundreds of thousands on deposit allows them to get perks that are not available to the average customer. If you are not a doctor or multimillionaire you're better off going with a mortgage broker as opposed to a mortgage banker.

2. People think it's going to be cheaper with a direct lender; after all, shouldn't it be, if you can cut out the middleman?

Mortgage banks have to pay someone to perform the same functions that a broker performs—taking the application, pulling credit, pricing the loan, filling out a Good Faith Estimate and a Truth In Lending statement, ordering an appraisal, opening title and escrow, etc. You've heard it before--"There is no free lunch". It's really this simple: WHY PAY RETAIL WHEN YOU CAN BUY AT WHOLESALE?

3. All lenders are pretty much the same in terms of price.

I've done a weekly survey of rates for over 5 years now and I find that there is great variance among lenders. It is precisely because of this that I initiated the survey.

For example, last week, I had one lender offering a rate of 2.375% for a 5/1 Interest Only ARM and another charging 3.125% PLUS 0.625% in points for the same program. Another lender was pricing their High Balance conforming 30 yr. fixed at 4%, while there was one charging 5% for the same program, also at par (that is, with no credit or discount points). The moral of the story here is that it pays to shop for a broker, not rates—that's OUR job.

4. Efficiency. Many of the big banks are unbelievably slow in processing their loans. Wells Fargo is so slow that it often offers better pricing on its 45 day locks than its 30 day locks to encourage borrowers to accept the longer time frame. On its jumbos they offer only 60 days locks because they can't close their loans much faster than that. A few years back, a client told me that it took him 6 months to get his loan closed with Bank of America and he was working with the bank manager.

I recently conducted an audit and found that 95% of my loans closed in 30 days or less. The bottom line for brokers and borrowers alike is that nobody cares about your loan as much as you do. The reason that this is so for brokers is because we don't get paid if it doesn't close.

5. Convenience. Ever try to get a loan officer at a large institution on the phone? Most often you get their voice mail. Or sometimes, you get a polite message saying they are on DND time (do not disturb) and that they return phone calls twice a day at 11:30 AM and 4:30 PM. One study of the banking industry reported that 8 out of 10 people who left messages never received a call back.

My staff and I answer our phones during business hours, evenings and weekends.

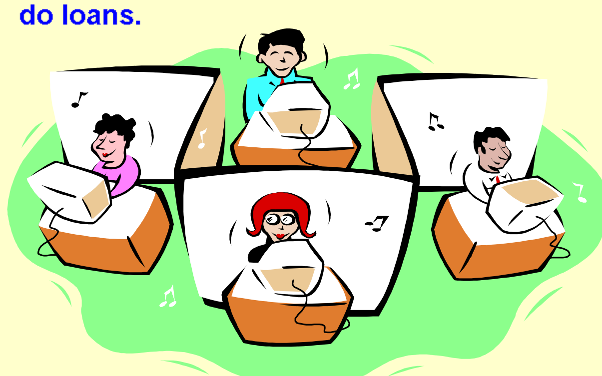
6. Product offerings. If you're interested in a "vanilla" loan most lenders can accommodate you.

But, if your needs are more specialized because of credit, profession, or age-restricted communities, you or your property may not qualify because of "investor overlays". The average broker represents 15-20 different lenders. If you don't qualify with one, he or she probably has another that can get you approved.

7. Choice. No one lender does all things well. A direct lender has one set of programs, rates and guidelines. If your application is declined you get to start the process all over again with another direct lender.

It's always better to have a choice when it comes to products, service, rates and ability to qualify.

8. Lack of knowledge. There is a steady stream of new blood into the lending industry and most of them enter through corporate lending channels. They get paid while they acquire the knowledge required to do loans.



The reason for this is that a newbie would starve as a mortgage broker—there is simply too much to learn in too short a time on a commission only basis. The other thing is that since the trainee or more senior loan officer is getting paid regardless of their volume, there is less incentive to care—you are often just another file number to them—they get paid whether or not your loan closes. As a test, one day I called up Lending Tree.com to see what their reps had to say. (Lending Tree sells their phone and email inquiries to various lenders). It took three days for the first rep to respond. The last of the four lenders called me 3 weeks after my initial inquiry. The information that I was given by the various loan officerswas well…let me put it this way…if this were rocket science, rocket scientists would have a bad name.

9. Money & Timeliness.

Time is money and it takes time to shop around and even if you have lots of free time it's apt to be futile. There used to be 254 lenders in Southern California (I don't know how many there are left now) but even if you managed to call all of them in one day, you wouldn't necessarily get the lowest rate because the rates change daily (sometimes 2 and 3 times in the same day) and the lender with the best rate may not be have the best rate tomorrow.

10. Privacy. How many times and how many people would you like to discuss your personal financial matters with?

If you get turned down by a mortgage banker, you get to go through the loan application process all over again. Also, the new lender will need to pull your credit again. If you have credit issues like a 30-day late, a charge off or a collection account, you will get to explain the reason for it a second or third time. Isn't once enough?

11. Price. You get what you pay for, don't you?

Often far from it. Remember, price is what you pay; value is what you get. For all the people who are price and rate conscious, I have but one question for you: DOES PRICE MATTER IF YOU DON'T GET VALUE?

12. Credit issues. If you have some, the loan officer at US Bank or B of A is not apt to show you how to raise your credit score or how you might get certain derogatory items removed from your credit report.

In truth, not all mortgage brokers are apt to help you or tell you how to do it either, but some can and will because they have a vested interest in making your deal happen—your success is their success.

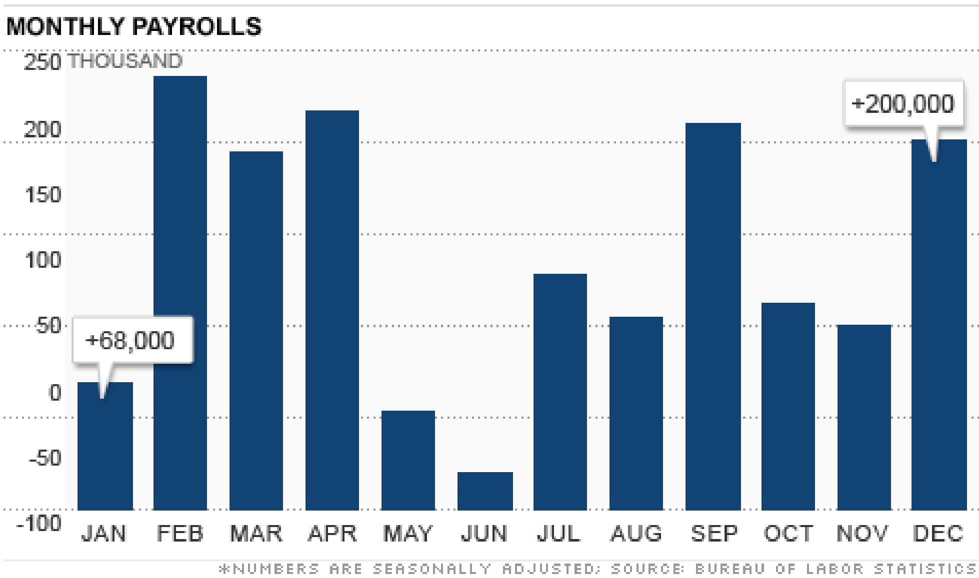
13. Special Programs.

Most banking staffs are aware of their own proprietary programs and little else and there's little or no incentive for them to learn about them. There's a motto in sales that goes like this: "Sell what you have, not what you don't." The mortgage banker at Chase or US Bank is not likely to tell you about various programs for low to moderate incomes or first-time home buyers like Fannie Mae's My Community, Freddie Mac's Home Possible, HUD's Good Neighbor Next Door, or Home Opportunities programs.

But this is only half the story…. because as advantageous as it may be to work with a mortgage broker. As with any profession there are good ones and ones that are less so. I consider myself to be one of the good ones.

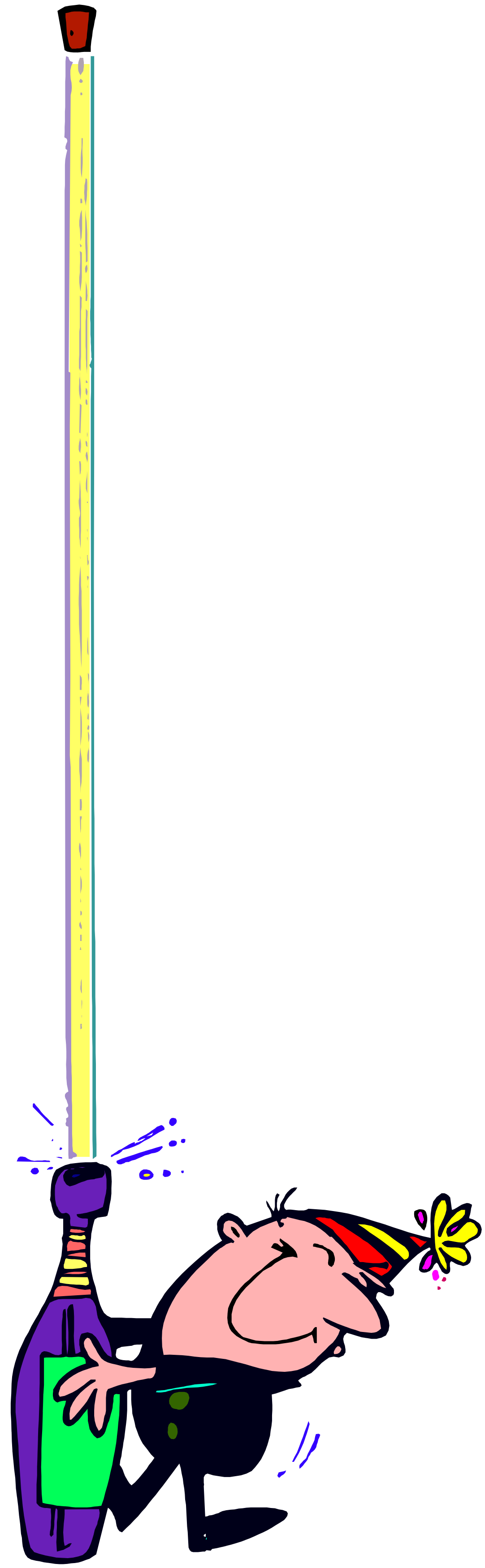
DECEMBER JOBS REPORT:
HIRING UP, UNEMPLOYMENT DOWN

American employers stepped up their hiring in December, bringing the unemployment rate down again. The economy added 200,000 jobs in the month, the Labor Department reported Friday, closing out the year with 1.6 million jobs gained in 2011. Only 940,000 jobs were added the year before. Meanwhile, the unemployment rate fell to 8.5%, its lowest level since February 2009.



The encouraging news was coupled with revisions to the Labor Department's data going back five years, which showed the unemployment rate has fallen for four consecutive months. While private businesses have been adding jobs consistently since March 2010, the government has been slashing payrolls. In December, private employers added 212,000 jobs, and the public sector cut 12,000 jobs.

The manufacturing, health care and education industries were all bright spots in December, each adding more than 20,000 jobs. Even the construction industry, which had been bleeding jobs the two prior months, hired another 17,000 workers. Jobs in retail and the food services were also on the rise, as were positions for couriers and messengers. In spite of the Labor Department's seasonal adjustments, some analysts caution that these positions could be related to holiday hiring.

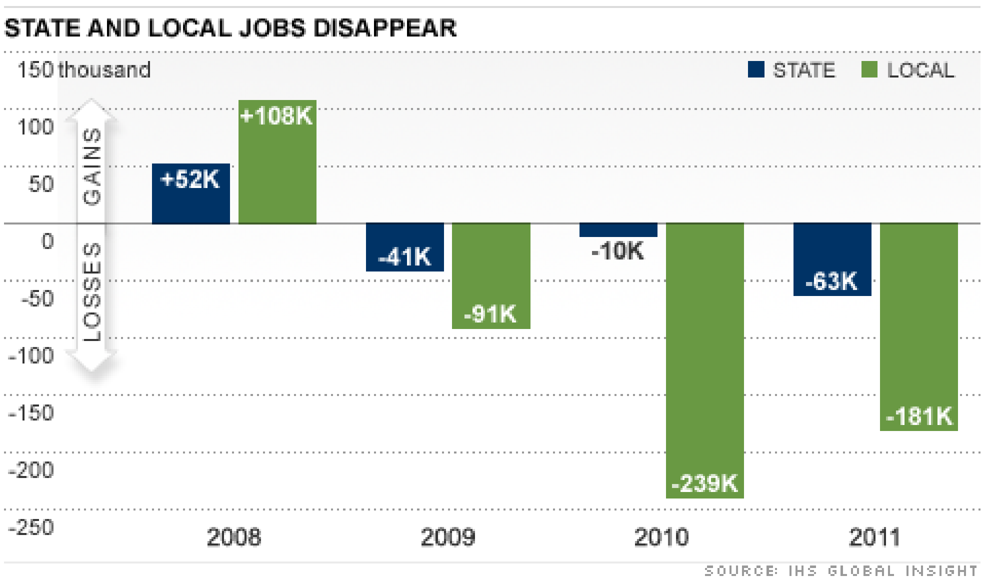


Still, more than 13 million people remain unemployed in the United States, and 42.5% of them have been so for six months or more. Overall, the job market has a long way to go to fully recover from the financial crisis. The economy still needs to add about 6 million jobs to get back to 2008 employment levels.

...NOT SO ROSY FOR THE PUBLIC SECTOR THOUGH

Nearly 250,000 state and local government employees lost their jobs in 2011, with the ax falling particularly hard on public school teachers. And the bleeding is likely to continue in 2012, experts say. These numbers stand in stark contrast to the private sector, which gained 1.6 million. The December unemployment rate fell to 8.5% after the economy added 200,000 jobs, the Labor Department reported Friday.

Things were not as rosy in the public sector. Some 181,000 local workers and 63,000 of their state peers were let go last year as the economic downturn continued to wreak havoc on government budgets. Teachers accounted for 113,000 of those losses. Federal workers, meanwhile, have not fared as badly. They lost only 36,000 jobs last year, with the vast majority of them coming from the U.S. Postal Service, which is on the brink of insolvency.



State and local workers have seen their numbers dwindle throughout the Great Recession. Some 656,000 have been laid off since their employment peak in mid-2008 as governments try to cope with plummeting tax revenues. But the fortunes of state and local workers are starting to diverge. State financial pictures are beginning to brighten as the overall economy gradually improves and tax revenues start to rise. After a brutal July, states have slowed their rate of layoffs. In December, it was flat.

Local governments, however, are continuing to downsize. They rely more on property taxes, and home assessments take a while to adjust. So they are still feeling the pain of the housing collapse. Some 14,000 local workers got pink slips in December, the same number as in November and 5,000 more than in October. About 9,000 of these were educators.

And the trend isn't likely to stop in 2012, as municipalities and some states continue to struggle. City finance officers are projecting more spending cuts -- largely coming from personnel reductions. Some are turning instead to temp workers to cut costs. A government drag on jobs is likely to persist throughout the year.

RATE SUMMARY:

As the year came to a close, mortgage rates fell to their lowest rates in 60 years. The number of programs at or near all-time lows ballooned to a record level. See below:

FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO: www.mortgagestraighttalk.com

Then, click on the menu tab labeled “RATES”. The rate sheets are updated every Friday.

SPECIAL(S) OF THE MONTH:

Conforming 30 yr. fixed @ 3.625%

Conforming 15 yr. @ 2.875%

Conforming 5/1 ARM @ 2.375%

Conforming 5/1 I/O ARM @ 2.375%

Jumbo 5/1 ARM @ 2.750%

Jumbo 30 yr. fixed @ 4.125%

Conforming FHA/VA 15 yr. fixed @ 3.125%

Conforming FHA 30 yr. fixed @ 3.625%

Conforming VA 30 yr. fixed @ 3.500%

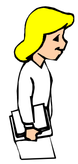
Open Access 30 yr. fixed @ 3.625%

MORTY'S MAILBAG

Q. Are there any special loan programs for public sector employees?

A. Indeed there are. Fannie Mae and Freddie Mac both have programs designed to benefit teachers, policemen, firefighters, and health care workers. Fannie's is **My Community** and Freddie's is **Home Possible.** I've included some of the benefits of the two programs below:

- Purchase or "no-cash out" refinance
- 97% LTV (1-2 units) 95% LTV (3-4 units)
- CLTV To 105% with community seconds
- 5/1, 7/1, 10/1 ARMs available
- 30 & 40 yr. fixed rates available
- Owner occupancy required
- No reserves
- Up to 30% of qualifying income can come from boarder income or occupying co-borrower
- 660 FICO (1 unit) 680 FICO (2-4 units)



Another program that is getting a lot of buzz these days is **HUD's Good Neighbor Next Door** program which is for policemen, firefighters, EMTs and school teachers who are wishing to purchase foreclosures in community revitalization areas. HUD offers a substantial incentive in the form of a discount of 50% from the list price of the home. In return you must commit to live in the property for 36 months as your sole residence. Here are a few of the benefits and qualifications:

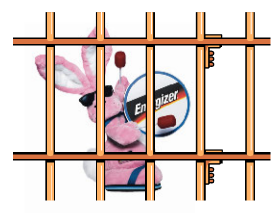
- $100 min. down payment
- Up to 50% discount on sales price
- Single family residences, PUDs, and condominiums are eligible
- Select HUD REOS only
- Closing and finance costs may be financed into the mortgage amount
- School teachers, firefighters, and EMTs are restricted to homes that are located in the area or district serviced by their employer. Law enforcement officers are restricted to homes that are with in a reasonable commuting distance since GNND homes must be their primary residence.
- Must be full-time employees in above listed occupations

Two of the more well known state sponsored programs in recent years WERE **CalPERS & CalSTRS**. CalPERS was for active, inactive, or retired members of the California Public Employees Retirement System, Legislators' Retirement System (LRS), or the Judges Retirement System (JRS). Similarly, members of the California State Teachers' Retirement System or CalSTRS employees were eligible. Due to budget cuts the CalPERS program was suspended about a year ago by the CalPERS Board of Administration and the CalSTRS Board also was forced to suspend the CalSTRS Home Loan Program this past September. It is believed that the suspension of both programs will be temporary. Among their relative benefits were the following:

- Purchases & Refinances
- LTVsto 95% (to 97% w/ CalSTRS)
- Terms available: 15 & 30 yr. fixed
- Loan amounts available: Conforming & Jumbo
- Loan programs: FHA fixed and ARMS
- Owner occupied only
- 1-4 units
- Reduced MI, Title & Escrow fees
- Automatic Rate Float Downs

Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered either by phone or email and posted in the next issue for the benefit of all. Questions may be forwarded via mail phone or fax. Due to the high incidence of spam, if you email me a question it needs to identified as "real estate question" on the subject line of the email. (See front of issue for phone and fax numbers). Morty's email address is....
morty@mortgagestraightTalk.com

MORTGAGE MIRTH



The Energizer Bunny was arrested and charged with battery.

If you'd care to share one that you've heard, please email it to me at.... **rod@mortgagestraightTalk.com**

NEXT ISSUE'S TOPIC: THE ANNUAL FORECAST 2012 AND A FEW ECONOMIC MYTHS DEBUNKED